

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea  
Director  
Utilities Division

DATE: March 29, 2011

RE: IN THE MATTER OF THE APPLICATION OF SPRINT SPECTRUM L.P. FOR  
APPROVAL TO CANCEL THEIR CERTIFICATE OF CONVENIENCE AND  
NECESSITY. (DOCKET NO. T-04206A-11-0070)

Attached is the Staff Report for the above referenced application. Applicant is applying for approval to relinquish its Eligible Telecommunications Carrier ("ETC") designation.

Staff recommends approval of Applicant's request to relinquish its ETC designation, and that its informational tariff be cancelled and withdrawn.

SMO:LLM:tdp

Originator: Lori L. Morrison

Attachment: Original and Thirteen Copies

Arizona Corporation Commission

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DOCKET NO. T-04206A-11-0070

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

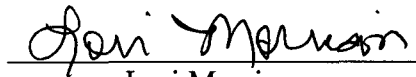
SPRINT SPECTRUM L.P.  
DOCKET NO. T-04206A-11-0070

IN THE MATTER OF THE APPLICATION OF SPRINT SPECTRUM L.P. FOR APPROVAL  
TO CANCEL THEIR CERTIFICATE OF CONVENIENCE AND NECESSITY

MARCH 29, 2011

## STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Sprint Spectrum L.P., Docket No. T-04206A-11-0070, for approval to relinquish its designation as an Eligible Telecommunications Carrier was the responsibility of the staff member listed below. Lori Morrison was responsible for the review and analysis of the application.

A handwritten signature in cursive script, reading "Lori Morrison", is positioned above a horizontal line.

Lori Morrison  
Utilities Consultant

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INTRODUCTION .....	1
BACKGROUND .....	1
FEDERAL ETC RELINQUISHMENT REQUIREMENTS.....	2
SERVICE AREA .....	2
CUSTOMER NOTICE .....	3
RECOMMENDATION .....	3

## INTRODUCTION

On February 4, 2011, Sprint Spectrum L.P. ("Sprint" or "Company") submitted a letter notification to relinquish its Eligible Telecommunications Carrier ("ETC") designation in Arizona, effective December 31, 2010. Sprint also requested the withdrawal of its informational tariff.

## BACKGROUND

On February 13, 2004, in Decision No. 66787, the Arizona Corporation Commission ("Commission") approved Sprint's Application for Designation as an Eligible Telecommunications Carrier within the State of Arizona. Sprint is a subsidiary of Sprint Nextel.

On November 4, 2008, the FCC approved the merger of Sprint Nextel, Clearwire Corporation ("Clearwire") and certain of their subsidiaries.<sup>1</sup> During the course of the merger proceeding, Sprint Nextel filed a letter offering a voluntary commitment that, at the end of a five-year transition, it would not seek Universal Service Fund ("USF") support for its wireless service unless the request is supported by an actual cost analysis or by whatever mechanism the Federal Communication Commission ("FCC") may subsequently adopt. The FCC conditioned its approval of the merger on Sprint Nextel's commitment to surrender high-cost universal service support over a period of five years from the closing date of the merger, but provided no direction regarding how these commitments were to be met.

On September 3, 2010, the FCC provided instructions for implementing the five-year transition commitment in its Implementation Order.<sup>2</sup> The FCC also provided Sprint Nextel with two options for electing a baseline against which to measure the phase-out of its high-cost universal service support. Based on the option that it selected, Sprint's 2011 USF annual support cap is 40 percent of its annual 2008 USF support with the quarterly USF support for 2011 capped at 25 percent of the annual amount. The Implementation Order, at footnote 39 states, that line loss, relinquishment of ETC status, or other circumstances would, by reducing the amount of support for which the carrier is eligible, minimize or eliminate the need for reductions to meet the Sprint Nextel USF support commitment for a given year.

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<sup>1</sup> *Sprint Nextel Corporation and Clearwire Corporation Applications for Consent to Transfer Control of Licenses, Leases, and Authorizations*, WT Docket No. 08-94, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17570 (2008) (*Sprint Nextel Merger Order*).

<sup>2</sup> *In the Matter of High-Cost Universal Service Support*, WC Docket No. 05-337, *Federal-State Joint Board on Universal Service, Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*, CC Docket No. 96-45, Order released Sept. 3, 2010 (FCC 10-155) (*Implementation Order*).

In order to meet its phase-out requirement for 2011 and to be in compliance with the FCC's Implementation Order, Sprint has decided to relinquish its Arizona ETC designation.<sup>3</sup> Sprint will no longer receive federal high-cost and Lifeline support from the Federal Universal Service Fund ("FUSF") after December 31, 2010; however, Sprint plans to continue to provide wireless services in its designated areas in Arizona as a non-ETC. Existing customers will have the option to continue receiving wireless services from Sprint on a non-ETC basis or obtaining service from an ETC that provides service in their area.

## FEDERAL ETC RELINQUISHMENT REQUIREMENTS

The federal requirements for a carrier to relinquish its ETC designation are outlined in 47 U.S.C. § 214(e)(4), which states:

*(4) RELINQUISHMENT OF UNIVERSAL SERVICE.--A State commission shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the State commission of such relinquishment. Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the State commission shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The State commission shall establish a time, not to exceed one year after the State commission approves such relinquishment under this paragraph, within which such purchase or construction shall be completed.*

Also see 47 C.F.R. § 54-205(a) and (b).

## SERVICE AREA

Sprint provided a list of the Qwest wire centers where it is currently designated as an ETC and is requesting to relinquish that status.<sup>4</sup> Sprint states that Qwest<sup>5</sup> is currently designated as an ETC for each of the same wire centers, as well as Telscape Communications, Inc.<sup>6</sup> Since there is at least one additional ETC in each of Sprint's designated areas, Sprint states there is no

<sup>3</sup> In response to Staff Data Request STF 1.5, Sprint states it and/or its affiliate, NPCR, is also relinquishing its ETC designation in Arkansas, Florida, Kansas, New Mexico, North Carolina, Tennessee, Utah and Wisconsin.

<sup>4</sup> Exhibit A of Application.

<sup>5</sup> Decision No. 60513, granted December 18, 1997.

<sup>6</sup> Decision No. 67519, granted January 20, 2005.

bar to prevent it from relinquishing its Arizona ETC designation. Further, Sprint does not believe that the remaining ETCs will be required to purchase or construct additional facilities to continue providing service within these designated service areas. Therefore, the Commission will not need to provide notice to ETCs serving the area to permit them to purchase or construct facilities to ensure that Sprint's customers will continue to receive service because sufficient facilities already exist.

There are currently three (3) carriers designated as ETCs in Sprint's designated service area: Qwest; Sprint and Telscape Communications, Inc. If Sprint is allowed to relinquish its ETC designation for its current service area, there will be at least one ETC to provide service to customers. In addition, because sufficient facilities already exist, notice to permit the purchase or construction of adequate facilities by any remaining ETC should not be required. Based on the information above, Staff believes that Sprint meets the FCC's ETC relinquishment criteria.

### **CUSTOMER NOTICE**

Sprint indicates in its application, upon acceptance by the Commission of its ETC designation relinquishment, it will provide written notice by US Mail to each of its then-current Lifeline customers in Arizona advising them that Sprint will no longer provide Lifeline service discounts. The notice will inform customers that the monthly Lifeline credit will be discontinued within 60 days. Lifeline customers will be given the option to: continue to receive the same service from Sprint without the discount; select a different calling plan with Sprint; or obtain discounted Lifeline services from one of the remaining ETCs. Sprint further states that it will not activate any new Lifeline customers in Arizona.

On February 18, 2011, in its responses to Staff Data Requests, Sprint stated that as of January 1, 2011, it had twenty (20) customers that received the Lifeline discount in Arizona, stated it did not collect deposits from Lifeline customers in Arizona and provided a copy of the notice it intends to send these customers. In that letter, Sprint presents customers with their options and adds if customers choose to obtain Lifeline benefits from another service provider, customers would not be subject to early termination fees for cancelling service with Sprint.

### **RECOMMENDATION**

Sprint currently has twenty (20) Lifeline customers in Arizona and has never collected deposits from Arizona Lifeline customers. Qwest is a designated ETC provider in the same geographic area as Sprint. Qwest provides service in the same areas where Sprint is designated as an ETC. Therefore, Staff recommends approval of Sprint's ETC designation relinquishment as of December 31, 2010. In addition, Staff recommends that Sprint Spectrum L.P.'s informational Arizona tariff be cancelled and withdrawn effective 60 days after the date of the Commission's order.